

## Assembly Bill No. 2430

### CHAPTER 468

An act to add and repeal Article 7.5 (commencing with Section 18781) of Chapter 3 of Part 10.2 of Division 2 of the Revenue and Taxation Code, relating to taxation.

[Approved by Governor September 22, 2016. Filed with  
Secretary of State September 22, 2016.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 2430, Beth Gaines. Voluntary contributions: Type 1 Diabetes Research Fund.

Under existing law, taxpayers are allowed to contribute amounts in excess of their personal income tax liability for the support of various funds. Existing law also contains administrative provisions that are generally applicable to voluntary contributions.

This bill would allow a taxpayer to designate an amount in excess of personal income tax liability to be deposited to the Type 1 Diabetes Research Fund, which the bill would create. The bill would require moneys transferred to the Type 1 Diabetes Research Fund, upon appropriation by the Legislature, to be allocated to the Franchise Tax Board and the Controller, as provided, and to the University of California for distribution of grants to authorized diabetes research organizations, as defined, for the purpose of type 1 diabetes research, as provided.

*The people of the State of California do enact as follows:*

SECTION 1. Article 7.5 (commencing with Section 18781) is added to Chapter 3 of Part 10.2 of Division 2 of the Revenue and Taxation Code, to read:

#### Article 7.5. Type 1 Diabetes Research Fund

18781. (a) Any individual may designate on the tax return that a contribution in excess of the tax liability, if any, be made to the Type 1 Diabetes Research Fund established by Section 18782.

(b) The contribution shall be in full dollar amounts and may be made individually by each signatory on the joint return.

(c) A designation under subdivision (a) shall be made for any taxable year on the original return for that taxable year, and once made shall be irrevocable. If payments and credits reported on the return, together with any other credits associated with the individual's account, do not exceed

the individual's tax liability, the return shall be treated as though no designation has been made.

(d) (1) The Franchise Tax Board shall revise the form of the return to include a space labeled "Type 1 Diabetes Research Fund" to allow for the designation permitted under subdivision (a). The form shall also include in the instructions information that the contribution may be in the amount of one dollar (\$1) or more and that the contribution shall be used to conduct the activities of an authorized diabetes research organization.

(2) Notwithstanding any other law, a voluntary contribution designation for the Type 1 Diabetes Research Fund shall not be added on the tax return until another voluntary contribution designation is removed or space is available, whichever occurs first.

(e) A deduction shall be allowed under Article 6 (commencing with Section 17201) of Chapter 3 of Part 10 for any contribution made pursuant to subdivision (a).

18781.5. For purposes of this article:

(a) An "authorized diabetes research organization" means either:

(1) A university, located within the state, with a research program.

(2) A nonprofit charitable organization exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code that engages in research.

(b) "Research" shall include, but not be limited to, expenditures to develop and advance the understanding, techniques, and modalities effective in the cure, screening, and treatment of type 1 diabetes.

18782. There is hereby established in the State Treasury the Type 1 Diabetes Research Fund to receive contributions made pursuant to Section 18781. The Franchise Tax Board shall notify the Controller of both the amount of money paid by taxpayers in excess of their tax liability and the amount of refund money that taxpayers have designated pursuant to Section 18781 to be transferred to the Type 1 Diabetes Research Fund. The Controller shall transfer from the Personal Income Tax Fund to the Type 1 Diabetes Research Fund an amount not in excess of the sum of the amounts designated by individuals pursuant to Section 18781 for payment into that fund.

18783. All moneys transferred to the Type 1 Diabetes Research Fund pursuant to Section 18782, upon appropriation by the Legislature, shall be allocated as follows:

(a) To the Franchise Tax Board and the Controller for reimbursement of all costs incurred by the Franchise Tax Board and the Controller in connection with their duties under this article.

(b) (1) To the University of California for distribution of grants to authorized diabetes research organizations for the purposes of conducting research on type 1 diabetes. The University of California may use up to 5 percent of the moneys allocated to it for administrative costs.

(2) An authorized diabetes research organization that receives a grant pursuant to this section may use up to 5 percent of the grant moneys for administrative costs.

18784. (a) Except as otherwise provided in paragraph (2) of subdivision (b), this article shall remain in effect only until January 1 of the fifth taxable year following the first appearance of the Type 1 Diabetes Research Fund on the personal income tax return, and is repealed as of December 1 of that year.

(b) (1) By September 1 of the second calendar year and each subsequent calendar year that the Type 1 Diabetes Research Fund appears on the tax return, the Franchise Tax Board shall do both of the following:

(A) Determine the minimum contribution amount required to be received during the next calendar year for the fund to appear on the tax return for the taxable year that includes that next calendar year.

(B) Determine whether the amount of contributions estimated to be received during the calendar year will equal or exceed the minimum contribution amount determined by the Franchise Tax Board for the calendar year pursuant to subparagraph (A). The Franchise Tax Board shall estimate the amount of contributions to be received by using the actual amounts received and an estimate of the contributions that will be received by the end of that calendar year.

(2) If the Franchise Tax Board determines that the amount of the contributions estimated to be received during a calendar year will not at least equal the minimum contribution amount for the calendar year, this article shall be inoperative with respect to taxable years beginning on or after January 1 of that calendar year and shall be repealed on December 1 of that year.

(3) For purposes of this section, the minimum contribution amount for a calendar year means two hundred fifty thousand dollars (\$250,000) for the second calendar year after the first appearance of the Type 1 Diabetes Research Fund on the personal income tax return or the minimum contribution amount as adjusted pursuant to subdivision (c).

(c) For each calendar year, beginning with the third calendar year after the first appearance of the Type 1 Diabetes Research Fund on the personal income tax return, the Franchise Tax Board shall adjust, on or before September 1 of that calendar year, the minimum contribution amount specified in subdivision (b) as follows:

(1) The minimum contribution amount for the calendar year shall be an amount equal to the product of the minimum contribution amount for the prior calendar year multiplied by the inflation factor adjustment as specified in subparagraph (A) of paragraph (2) of subdivision (h) of Section 17041, rounded off to the nearest dollar.

(2) The inflation factor adjustment used for the calendar year shall be based on the figures for the percentage change in the California Consumer Price Index for all items received on or before August 1 of the calendar year pursuant to paragraph (1) of subdivision (h) of Section 17041.